

## Australian Depositors Churning at Historic Highs

(15 August 2011 – Australia) East & Partners' latest Deposit Funding & Debt Index has revealed churn levels for On Call depositors are going in opposite directions for business and retail depositors in response to deposit takers' strategies.

The latest monthly Index, out now, has shown that business depositors are demonstrating a declining churn outlook from that of only a month ago.

There has been a reduction in planned switching from 29.9 percent of customers who switched deposit taker in the last month down to 26 percent of business depositors planning to switch their On Call deposits in the coming month.

The biggest decrease was seen in the Micro Business segment who reported a drop in expected churn level of 7 percent.

Retail depositors however are expected to increase their churn levels. Relative to last month retail customer are looking to a 10 percent increase in churn - 40.3 percent of retail depositors having switched in the last month with 44.2 percent expecting to switch in the coming month.

Paul Dowling, East & Partners' Principal Analyst said "In both business and retail markets, these On Call deposit monthly churn rates are high and represent a major challenge for deposit takers. Retail depositors are considerably more aggressive than business customers in their switching behaviour, a difference driven by two key factors – business depositors are way less sensitive to rate triggers; i.e. they need higher rates to induce a change of provider than retail depositors. And considerably more business sector deposits are tied to credit facilities".

"These outcomes as East monitors them monthly have profound outcomes for the ways in which deposit takers manage their books." Mr Dowling added.

## About East & Partners' Deposit Funding & Debt Index

An ongoing, monthly analysis among Australia's Top 500 companies as well as a robust, structured sample of corporate businesses, SMEs and Micro businesses.

Based on data sourced from APRA, the data is subjected to a set of standardised analysis run by East & Partners to produce the Index's set of ratio indicators. The Index focuses on key market measures including business versus retail deposit volume ratio, the ratio of deposit versus lending by bank by market segment, deposit market share and the total market deposit funding index.

Also reported each month are unique segmentations based on depositor size and, importantly given BASEL III's impact, the Index also splits On Call and HYOD deposit volumes by segment from Term Deposits across 3, 6 and 12 month tenures – hot and sticky deposit business flows, tied versus free deposit balances, deposit churn forecasts and rate triggers for depositor switching.

Note: Business Depositor Segments

Institutional – A\$530 million plus

Corporate – A\$20-530 million

SME – A\$5-20 million

Micro – A\$1-5 million

For more information or to interview our Principal Analyst, please contact:

Sian Dowling

Marcomms & Client Services

East & Partners

t: 02 9004 7848

m: 0420 583 553

e: [sian.d@east.com.au](mailto:sian.d@east.com.au)

### East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia

phone: +61 2 9004 7848 fax: +61 2 9004 7070

[www.east.com.au](http://www.east.com.au)

ABN: 23 151 025 599